

Message Text

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PAGE 01 QUITO 00240 121645Z

44

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 EUR-25 COME-00 INT-08 SCEM-02

SCI-06 OMB-01 TRSE-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 NEA-10 DRC-01 /162 W

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R 121526Z JAN 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 9645

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 0240

E.O. 11652: GDS

TAGS: ENRG, EFIN, EC

SUBJECT: GOE REVENUES ON BASIS OF \$13.70 REFERENCE PRICE

REF: STATE 3882

1. SUMMARY: RECALCULATING GOE TAKE ON THE BASIS OF THE CURRENT TAX REFERENCE PRICE AND NEW COMPANY PROJECTIONS OF PRODUCTION, EXPORTS, DOMESTIC REFINING AND BARTER, EMBASSY ESTIMATES 1974 REVENUE AT \$635 MILLION AND GOE PARTICIPATION AT \$9.71 PER BARREL (AVERAGE OF ROYALTY AND NON-ROYALTY EXPORTS). MAIN REASON FOR SCALING DOWN REVENUE ESTIMATE IS THAT 1974 REQUIREMENTS FOR DOMESTIC CONSUMPTION AND BARTER WILL GREATLY EXCEED THOSE OF 1973. THESE ESTIMATES DO NOT TAKE INTO ACCOUNT PLANNED GOE PURCHASE OF 25 PERCENT OF TEXACO-GULF. END SUMMARY.

2. IN VIEW OF THE LARGE DISCREPANCY BETWEEN THE TWO ESTIMATES OF GOE ANNUAL REVENUE IN REFERENCE A, WE HAVE OBTAINED NEW COMPANY PROJECTIONS OF 1974 PRODUCTION, EXPORTS, DOMESTIC REFINING, AND BARTER. BOTH PRODUCTION (TO 240,000 BARRELS PER DAY) AND REQUIREMENTS FOR DOMESTIC PRODUCTION ARE EXPECTED TO INCREASE OVER 1973. EXPANSION OF THE GULF AND ANGLO RE-
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PAGE 02 QUITO 00240 121645Z

FINERIES NOW UNDER WAY WILL RAISE REFINING CAPACITY TO A

TOTAL OF 39,000 BPD FROM 34,000 BPD AT PRESENT. UNDER THE EXISTING BARTER ARRANGEMENT (1.85 BARRELS OF CRUDE FOR ONE BARREL OF RECON), DOMESTIC REFINING OF ORIENTE CRUDE PLUS REQUIREMENT FOR BARTER WOULD ABSORB 64,800 BPD, MORE THAN ONE-QUARTER OF PRDUCTION. WE UNDERESTIMATED THIS AMOUNT CONSIDERABLY IN OUR PREVIOUS COMPUTATION OF \$710 MILLION IN REVENUE.

3. ON THE BASIS OF THE REVISED COMPANY PROJECTIONS, 1974 GOVERNMENT REVENUE FROM PETROLEUM WOULD BE \$635 MILLION AT A TAX REFERENCE PRICE OF \$13.70 FOR 28 DEGREE GRAVITY CRUDE. THE YIELD OF THE MAJOR TAXES, ETC., IS AS FOLLOWS: ROYALTIES, \$214.6 MILLION. ON TEXACO-GULF EXPORTS: EXPORT TAX, \$104.1 MILLION; INCOME TAX (44.4 PERCENT), \$208.0 MILLION; WORKERS' SHARE OF PROFITS, \$82.7 MILLION; OTHERS, \$11.8 MILLION. ON SALES FOR DOMESTIC CONSUMPTION AND BARTER: INCOME TAX, \$8.1 MILLION; WORKERS' SHARE OF PROFITS, \$3.2 MILLION. SURFACE RIGHTS, \$2.1 MILLION. GOE SHARE IN TEXACO-GULF EXPORTS IS \$8.14 PER BARREL AND IN ROYALTY EXPORTS \$15.31 PER BARREL. AVERAGE GOE TAKE FOR ROYALTY AND NON-ROYALTY EXPORTS (BARTER EXCEPTED) IS (9.71. THE UPWARD REVISION OF THIS FIGURE IS DUE TO GREATER WEIGHT OF ROYALTY EXPORTS IN THE AVERAGE.

4. THE ABOVE COMPUTATION ASSUMES CRUDE OF 30 DEGREES GRAVITY (QUITO*0038); THUS THE VALUE OF ROYALTY CRUDE IS \$15.31 PER BARREL, THE REFERENCE PRICE FOR TEXACO-GULF EXPORTS IS \$13.90 PER BARREL, AND THE SALES PRICE TO DOMESTIC REFINERIES AND TO THE GOE FOR BARTER IS \$1.60. PRODUCTION IS ESTIMATED AT 240,000 BPD, ROYALTIES 38,400 PBD, TEXACO-GULF EXPORTS 136,790 BPD, DOMESTIC REFINING OF ORIENTE CRUDE 5,370 BPD, AND SALES TO GOE FOR BARTER PURPOSES 59,440 BPD. DETAILS OF COMPUTATION FOLLOW BY AIRGRAM.

5. THE ABOVE ESTIMATES DO NOT TAKE INTO ACCOUNT THE PLANNED GOE PURCHASE OF 25 PERCENT OF TEXACO-GULF (QUITO 101). THE GOE COULD INCREASE ITS REVENUE BY SELLING DIRECTLY TO THE HIGHEST BIDDER, BUT IT MAY CHOOSE TO USE A PORTION IN POLITICALLY MOTIVATED SALES OR IN BARTER TRANSACTIONS.
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Message Attributes

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Disposition Date: 28 MAY 2004
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